



Liberty Mutual Insurance
Commercial Insurance Property Claims
PO Box 7215
London, KY 40742-7215
Phone: (214) 470-5875

VIA EMAIL AND CERTIFIED MAIL/ELECTRONIC RECEIPT REQUESTED

March 25, 2024

Kaylee Bruce
BDC Group Inc
1525 Ketelsen Drive
Hiawatha, IA 52233

RE: Insured:	BDC Group Inc
Loss Location:	11900 Livingston Road S-15, Manassas, VA 20109
Date of Loss:	October 27, 2023
Policy Number:	YM2-Z91-472579-052
Policy Effective Dates:	November 1, 2022 - November 1, 2023
Claim Number:	[REDACTED]
Underwriting Company:	Liberty Mutual Fire Insurance Company

Dear Ms. Bruce,

This letter is to inform you that we have conducted an investigation of your claim. We have completed our review of the information provided by you or on your behalf. The following is a summary of our findings and position on coverage for the claim asserted.

The insurance policy issued to BDC Group Inc provides coverage subject to the policy terms and conditions. Based on our investigation and review of the policy, there is no coverage available for your loss as outlined below.

THE CLAIM

Our first notice of loss was on November 8, 2023. It was reported to us that BDC Group Inc's property, including equipment, tools, and vehicles, was stolen on October 27, 2023.

President and CEO of BDC Group Inc, Mr. Dennis Bruce, and yourself as Asset Manager of BDC Group Inc, were interviewed on November 22, 2023. Within the recorded interview, the following information was obtained (all as of the time of the call):

- BDC Group Inc is a fiber utility company that has 40 employees and 97 employees at the peak of July 2022.
- BDC Group Inc has an in-house CFO and accounting staff but also a third-party firm that provides financial reports.

- BDC Group Inc filed Chapter 11 bankruptcy in June 2023 which is still ongoing. The business is still operational.
- BDC Group Inc has 3 locations-a small warehouse and outdoor area in Des Moines, IA, a main office in Hiawatha, and an outdoor yard in Hiawatha. BDC Group Inc used to have 2 storage yards in Virginia, including the loss location, that were closing after filing Chapter 11 bankruptcy.
- The loss location is an outdoor storage yard only, surrounded by a tall chain link fence and accessed by a fence gate that's chained and locked with a dial padlock. The former Fleet Manager, Hector Davila, has the padlock code to provide access to creditors that would visit to appraise and take their items.
- BDC Group Inc's employees were let go around June 2023, and the location was not in use since then. No security measures were changed or added.
- Hector Davila was also let go in June 2023 but still maintained the padlock code for access and egress to the loss location.
- There were no cameras or other security in place aside from the locked gate. BDC Group Inc was unable to confirm the last person in the lot or how secure it was with creditors coming and going.
- BDC Group Inc said they were not allowed to move anything on the lot due to bankruptcy and denied any items were for sale.
- An auctioneer from Big Shoulders Cap, Mr. Arthur Barrett, went to the lot to look for the items and discovered the missing equipment on the week of the reported theft. The auctioneer was sent by Keystone Bank and reported this to them, who in turn notified BDC Group Inc.
- A police report was filed a day or two after theft was suspected. 26 total items, including tools, heavy equipment, and a trailer, were reported stolen.
- BDC Group Inc stated that the items that needed a key would likely have been hidden on the unit, but they were not sure.
- The last inventory was done around June 2023 by Fleet Manager, Ross Michaels, who is still employed by BDC Group.
- There was no regular set inventory schedule for the lot.
- There were still items remaining on the lot after the suspected theft.

As part of our investigation, we followed up with the parties you provided contact information for, as well as other authorities involved on the loss.

- Master Detective of Prince William County Police Department, Kevin Rule, was initially contacted to discuss the reported theft. Detective Rule advised they were not aware of any recovery of property and had no leads at the time of the call. He also informed us that this type of theft is rare in the area.
- On December 7, 2023, our field investigator contacted Mr. Hector Davila. Mr. Davila informed us that BDC Group Inc had numerous bill collectors looking for them, as money was owed to

- On December 14, 2023, our field investigator met with Mr. Wells Larson at the loss location as planned. Mr. Larson mentioned there being video surveillance facing the lot. The list of reported items stolen was provided to Mr. Lawson for review. He said that he did not believe that any of the items listed were ever on the lot. Mr. Larson introduced the investigator to the superintendent for the construction company currently occupying the lot, Aaron. He said that he was familiar with the bankruptcy, as former employees had been seeking employment in the area. Aaron was also provided the list of stolen items and stated that he did not believe any of the items listed were ever on the lot. Aaron identified a second location associated with BDC Group Inc, located at 14801 Murdock Street, Suite 150, in Chantilly, VA 20151.
 - During the above inspection, both Mr. Larson and Aaron said that Hector Davila had been moving equipment in and out of the lot, as authorized by BDC Group Inc's corporate headquarters. Much of the equipment moved was parked by Mr. Davila along a public driveway servicing the lot at the loss location.
 - A field visit was conducted at 14801 Murdock Street, Suite 150, in Chantilly, VA 20151. The business owner at the location said that they had worked with BDC Construction but there was no association or affiliation with BDC Group Inc.
 - Aaron provided additional information for a former BDC Group Inc employee who he said would know more about the equipment being moved, Mr. Jose Flores.
 - Contact attempts were made to Mr. Jose Flores, but no return correspondence was received.
- On December 15, 2023, we conducted a follow up call with Mr. Davila and a Spanish translator. Mr. Davila advised that he was at the lot the month before and had moved all equipment out of the lot and to the street by November 1, as instructed by his supervisor, Mr. Ross Michaels, and BDC Group Inc's attorneys, so the bank could take them. Mr. Davila added that when BDC Group Inc closed, many items were sent to their Iowa location. He lastly provided that many people had access to the loss location in Manassas, VA.
- On December 15, 2023, our field investigator also followed up with Mr. Larson, who said he reviewed footage from a Ring camera positioned directly across from the gate providing access to the loss location on the reported date of loss of October 27, 2023, and he saw no activity in or out of the location all day. Mr. Lawson said a certified letter demanding his company not remove any equipment from the lot was sent to his corporate headquarters.
- On December 19, 2023, we spoke with Mr. Arthur Barrett who first discovered the loss. He confirmed that he was notified by Keystone to evaluate items at 2 yards to present an offer. Mr. Barrett said he had been given padlock codes for access, and they were locked upon arrival, showing no signs of forced entry. He contacted Keystone and Mr. Bruce to immediately alert them of the missing equipment. Mr. Barrett advised that Mr. Bruce had told him BDC Group Inc had been paying an ex-employee to assist them with making sure the items were back there.
- On December 28, 2023, our field investigator met with Mr. Hector Davila. He provided information on movement and last known locations for equipment and items listed on the reported content list. Mr. Davila described a particular situation where he observed one of BDC

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Group Inc's trailers that was reported stolen, traveling one day in Manassas, VA. He stated that
he approached the male subject who was with the trailer, introducing himself as an employee of
BDC Group Inc. There was an altercation, but information was provided to Mr. Ross Michaels,
and the trailer was returned. Mr. Davila also confirmed a second location for BDC Group Inc in
Aldie, VA. Contact information was provided for Mr. Ross Michaels, the police involved, and the
lot manager located next to the loss location.

- On January 5, 2024, Ms. Kaylee Bruce informed us that BDC Group Inc's second location was confirmed at 24050 Youngwood Ln, Lot 40, Aldie, VA 20105. This location was inspected on January 10, 2024; it was gated, locked, and no one present. No equipment was observed on that lot that appeared to be associated with BDC Group Inc.
- On the above email correspondence with Ms. Bruce, she stated that no items were moved to Iowa after June 2023.
- On January 25, 2024, we spoke with Mr. Ross Michaels, who said he was employed with BDC Group Inc at the time of the call, but operations were being shut down in the next week or two. He said that he was in Virginia with Mr. Dennis Bruce a week or two after the July 4th holiday to assist him and Hector with shutting things down. He further advised that trucks were loaded, and items shipped back to Iowa, with supporting photos of all the items being transported sent to Dennis and Kaylee. Mr. Michaels explained that some of the items in the stolen content list, such as the locators, had already gone. He also mentioned a trailer that was gone at the time and later discovered after BDC Group Inc recalled loaning it to a subcontractor when they were operational, and who had continued using it, not knowing the company had closed its business. Mr. Michaels thinks Hector returned the trailer around September.

THE POLICY

With regard to your Policy, we refer you to the following relevant provisions contained in the IM 7002 06 04 - Contractors' Equipment Coverage Blanket Equipment Form:

CONTRACTORS' EQUIPMENT COVERAGE BLANKET EQUIPMENT FORM

PROPERTY COVERED

"We" cover the following property unless the property is excluded or subject to limitations.

Equipment Coverage -- "We" cover direct physical loss caused by a covered peril to:

1. "your" "contractors' equipment"; and
2. "contractors' equipment" of others in "your" care, custody, or control.

PERILS EXCLUDED

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following:

e. **Missing Property** -- "We" do not pay for missing property where the only proof of loss is unexplained or mysterious disappearance of covered property, or shortage of property discovered on taking inventory, or any other instance where there is no physical evidence to show what happened to the covered property.

This exclusion does not apply to covered property in the custody of a carrier for hire.

APPLICATION OF THE POLICY

In an effort to alert you to the basis of the denial of coverage, we list below the grounds under which all aspects of the claim are not covered under the policy. It is our intent to incorporate by reference all of the terms of the policy through this denial of coverage letter. Based upon the information available to date, the grounds for the denial of coverage under the policy, or under applicable law, with respect to the claim, include, but are not limited to, the following:

The loss was first discovered by Mr. Arthur Barrett, who had been tasked by a creditor to evaluate items at the loss location and present an offer to them. Upon inspection and despite a lack of forced entry into the lot, Mr. Barrett informed you and the creditor that some of the items he was to inspect were missing.

Our investigation revealed that an inventory had not been taken at the loss location after Mr. Bruce, Mr. Michaels, and Mr. Davila were last on-site in July 2023 to transport items to BDC Group Inc's Iowa location. In addition to this, Mr. Davila, an ex-employee that still assisted BDC Group Inc with check-ins and access to the lots for creditors, informed us that he was instructed by BDC Group Inc's Fleet Manager, Mr. Michaels, to move equipment from the secured lot to a public street by November 1, 2023, for the bank to acquire the property. Mr. Lawson, the reported manager of the property, shared that he reviewed camera footage facing the lot's gate and found no activity at any time on the date of loss.

Missing property where the only proof of loss is unexplained, a mysterious disappearance, a shortage of property discovered on taking inventory, or any other instance where there is no physical evidence to show what happened to the covered property is excluded in the policy, unless in the custody of a carrier for hire. Therefore, there is no coverage for this loss.

Based on the above, we find no coverage under the terms and conditions of your policy for the costs claimed in connection with your asserted claim and therefore deny your claim. In view of the absence of coverage, we make no comment relative to the amount of loss or damage but include those issues within the rights reserved.

The foregoing is not intended to waive any defenses which are now, or which may hereafter become available to us. The foregoing does not constitute a waiver of any term, condition, or exclusion of the insurance policy or any rights and defenses under the policy, and we hereby expressly reserve all of our rights and defenses thereunder.

Please refer to the following condition within the IM 7002 06 04 - Contractors' Equipment Coverage Blanket Equipment Form:

10. Suit Against Us -- No one may bring a legal action against "us" under this coverage unless:

- a. all of the "terms" of this coverage have been complied with; and
- b. the suit has been brought within two years after "you" first have knowledge of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by law.

If you have any questions about the content of this letter or the terms and provisions of your policy of insurance, please do not hesitate to contact me at (214) 470-5875.

Sincerely,



Kirsten Ishikawa | CPCU, ARM, AIC
General Adjuster

cc. Will Teubel
TrueNorth Companies
7900 E. Union Avenue
Suite 300
Denver, CO 80237

cc. Renee K. Hanrahan
Bankruptcy Trustee
PO Box 1088
Cedar Rapids, IA 52406